

Shell Exploration & Production Company



One Shell Square
PO Box 61933
New Orleans LA 70161-1933
(504) 728-6161

October 30, 2001

Chair, Council on Environmental Quality
Executive Office of the President
722 Jackson Place, NW
Washington, DC 20503

ATTN: V.A. Stephens
Energy Project Streamlining Task Force

SUBJECT: INTERAGENCY TASK FORCE ON ENERGY PROJECT
STREAMLINING

Shell Exploration & Production Company (SEPCo) appreciates the opportunity to provide comments to the Interagency Task Force on Energy Project Streamlining. SEPCo is one of the largest producers of oil and gas in the Outer Continental Shelf (OCS). We are providing several comments directed toward the objective of the Task Force to harmonize and expedite the review and permitting of projects that will increase the production, transmission, and conservation of energy, while maintaining safety, public health, and environmental protections.

Coastal Zone Management (CZM) Program

Under the Coast Zone Management Act, the National Oceanic and Atmospheric Administration (NOAA) is charged with the responsibility of administering the CZM Program. Under this program, the coastal States can gain approval of a Coastal Zone Management Plan which identifies enforceable policies for conservation and development of its coastal resources. The NOAA regulations at 15 CFR part 930 provide for Federal Consistency under the Act. Offshore Outer Continental Shelf (OCS) oil and gas development must undergo a Federal consistency determination by the Minerals Management Service (MMS) and receive concurrence from affected coastal States before any activities can proceed. The recent revisions to NOAA's Federal Consistency regulations on December 8, 2000, has created obstacles to permitting of OCS development while achieving no incremental safety, public health, or environmental protection benefits.

The revised regulation at 15 CFR part 930 created a new definition of "effect on any coastal use or resource" which is clearly the most significant and potentially troublesome change to the regulations. The modified definition now includes indirect and secondary effects without regard to significance. The question as to whether NOAA has correctly interpreted Congressional intent is an important one needing further investigation. NOAA has also expanded the definition of "any coastal use or resource" to include new terms such as "scenic

and aesthetic enjoyment” and “air” which could provide coastal States with a new set of mitigation requirements and the opportunity to reach across state boundaries to block OCS projects. Additionally, the regulations have not provided time limits for appeals to the Secretary of Commerce when an OCS project is blocked by a coastal State.

OCS Lease Sale 181 in the Eastern Gulf of Mexico is expected to occur in December 2001. After the leases have been awarded, the state of Florida can use the revised regulations to assert that OCS development in this lease area is not consistent with its CZM Plan and block the timely development of these resources.

EPA Region IV Water Discharge Permits

The Environmental Protection Agency (EPA) Region IV has issued a final NPDES General Discharge Permit for the Eastern portion of the Gulf of Mexico for OCS oil and gas development. Unlike the EPA Region 6 NPDES General Permit which applies to all OCS oil and gas development in the Western Portion of the Gulf of Mexico, the Region IV General Permit only applies to facilities in the Eastern Portion of the OCS seaward of 200 meters water depth. Facilities shallower than 200 meters water depth must apply for an individual discharge permit which can take a year or longer to obtain or can be withheld indefinitely by the Agency. We believe the EPA Region IV can greatly expedite permitting of OCS development in the Eastern Gulf by expanding the applicability of the General Permit to all water depths.

BLM Permitting of onshore oil and gas projects

In an effort to expedite the review and permitting process of Federal projects onshore, the BLM (Dept of Interior) could start by ensuring adequate resources (staff and budget) is available at the BLM Field Offices to handle the increasing work load. For example, the majority of all projects on Public lands requires a cultural report. In a particular BLM Field Office, there is only one (1) archeologist for the entire jurisdiction of that office. Permit applications can be idle for months (if not years) due to the backlog. If the BLM is unable to hire additional staff, then it should consider hiring qualified contractors to assist with the excessive work load, or increases during cyclical permitting times.

DOE / MMS funding of Deepstar and other Industry groups working on new technologies for Deepwater and deep well drilling and producing.

The Department of Energy (DOE) and MMS have been looking at ways to lower the cost of Deepwater OCS drilling and production. While Deepstar (a research consortium of operators and contractors) has been consulted, the primary focus to date has been for federal funding of academic and research efforts. Deepstar already has in place an organization to address the new technologies that will be necessary for Deepwater drilling and production in water depths up to 10,000 feet. The Deepstar work to date has been funded solely by Industry. It would seem that the government could best take advantage of the existing work developments of Deepstar by providing a level of federal funding to add to the industry's efforts. This would result in a greater number of new technologies being made commercially viable in a shorter period of time.

Suspension of Production for Leases in Remote Areas

A deepwater lease suspension program was previously approved and issued by the MMS as NTL 92-1N and superseded by NTL 98-11N, but was subsequently rescinded. Energy production from the deepwater Gulf of Mexico would be encouraged by instituting a similar lease suspension program that would allow for the development of marginal reserves on a lease which in and of themselves would be uneconomic to develop while allowing the operator time to prove additional reserves in nearby areas. We recommend that this program be implemented only in the remote deepwater areas of the Gulf of Mexico where infrastructure is currently non-existent. This program would allow for the acceleration of development and subsequent production of reserves which otherwise would take longer as the infrastructure moves outward from shallow water into these remote deepwater areas.

We appreciate the opportunity to provide these comments to the Task Force. Please call me at (504) 728-6982 or Mr. Kent Satterlee of staff at (504) 728-4143 if you have any questions or to provide more details.

Yours truly,



for: Peter K. Velez
Manager Regulatory Affairs